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To: Screening Company Operators

The Certification of Screening Companies Notice of Proposed Rulemaking (NPRM) proposes that all companies that perform aviation security screening in the United States be certificated by the Federal Aviation Administration (FAA) and meet enhanced requirements. It is intended to improve the screening of passengers, property, checked baggage, and cargo and provide standards for consistent high performance and increased screening company accountability.

The rulemaking team and Associate Administrator for Civil Aviation Security are concerned, about the impact this proposed rule would have on both small air carriers and screening companies as they would have additional responsibilities and, hence, additional costs. However, the team was unable to determine the impact because of the scarcity of financial data. The FAA was unable to obtain complete financial data on approximately one third of the air carriers and was unable to obtain any data on half of the screening companies, with only partial data available for most of the rest of the screening companies. Therefore, it is important that the small businesses be aware of the proposed rule and have an opportunity to comment. Also, we are asking you to provide specific financial data described in the enclosure that will enable the team to determine the additional cost impact.

The FAA has scheduled two additional public listening sessions. The public listening sessions will be on April 4, 2000, in San Francisco, California, and April 6, 2000, in Fort Worth, Texas. The meetings will begin at 9 a.m. The public listening session in San Francisco will be held at State of California Building, 455 Golden Gate Avenue, in the auditorium. The listening session in Fort Worth will be held at Fritz Lanham Federal Building, 819 Taylor Street, in room 1A03.

A copy of the **NPRM** is enclosed. The comment period has been extended to May 4, 2000. An electronic copy of the **NPRM** may be downloaded from the Internet. Internet users may reach the FAA's web page at <http://www.faa.gov/avr/arm/nprm/nprm.htm>, or the GPO's web page at <http://www.access.gpo.gov/nara>.

The Small Business Impact information requested is enclosed.

Sincerely,

/s/ Quinten T. Johnson

Quinten T. Johnson  
Deputy Director, Office of Civil Aviation  
Security Policy and Planning

Enclosures

### **Small Business Impact**

Congress has directed that regulatory agencies ensure that small businesses are not unnecessarily and disproportionately burdened by Federal regulations. Regulatory agencies are required to review rules to determine if they have “a significant economic impact on a substantial number of small entities.” The Small Business Administration defines small entities to be those companies with 1,500 or fewer employees for the air transportation industry. For this proposed rule, the small entity groups are considered to be both scheduled air carrier operators (subject to FAR part 108) and screening companies having 1,500 or fewer employees. The FAA has identified a total of 41 air carriers and 38 screening companies that meet this definition. Some air carriers perform their own screening and so would be included in both groups.

The FAA is concerned about the impact of this proposed rule on these small entities. As discussed in the regulatory evaluation, there was a paucity of financial data in which to evaluate this impact. The FAA was unable to obtain complete financial data on approximately one third of the air carriers, was unable to obtain any data on half of the screening companies, and obtained incomplete data on most of the rest of the screening companies. Accordingly, the Agency is requesting specific information to help measure the impact. The FAA requests that all comments be accompanied with clear supporting data. --

The FAA would appreciate the following information from each of these entities that comment:

1. The number of employees that each entity employs. (If a company is engaged in several lines of business, the FAA requests information on both the total number of employees at that company and the number of employees working for the air carrier and/or screening company.)
2. The following financial information for the calendar years 1994 through 1999:
  - Total operating revenue from total operations
  - Net income or loss from total operations
  - Current assets
  - Current liabilities
  - Total quick assets (Total quick assets equals Cash and Equivalents plus Notes and Accounts Receivable minus Net Expenses)

3. Given the costs of the proposed rule, does each small entity believe that:
- they would be at a disadvantage relative to larger entities due to disproportionate cost impacts?
  - they would be at a competitive disadvantage in their respective markets?
  - their ability to stay in business would be imperiled?

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In addition, the FAA used information from the regulatory evaluation to estimate the impact, for small entities, in two areas. The FAA is requesting comments on these impacts.

1. Paperwork Costs - Several proposed sections would impose paperwork costs on small direct air carriers and screening companies. Four proposed sections would impose paperwork costs on direct air carriers, while twelve proposed sections would impose paperwork costs on screening companies; these sections can be found in the regulatory evaluation.

2. Alternatives - The FAA examined alternatives to the proposed rule for small entities. The regulatory evaluation discusses and costs out several alternatives for small air carriers and small screening companies.